

Message Text

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TO USMISSION OECD PARIS

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FOLLOWING REPEAT TOKYO 6844 ACTION SECSTATE 24 MAY.

QUOTE

C O N F I D E N T I A L

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E.O. 11652: N/A

TAGS: SENV, OECD

SUBJECT: OECD ENVIRONMENT COMMITTEE: MEETING OF SUBCOMMITTEE
OF ECONOMIC EXPERTS (SCEE), JAPANESE POLICY ON POLLUTER PAYS
PRINCIPLE

REFS: OECD PARIS 11927, STATE 103236

1. SUBJECT MATTER REFEELS DISCUSSED BY ABBUHL (USDEL
MINISTERIAL MEETING ON ENVIRONMENT) WITH FUJIYAMA (MITI)
WHO REPRESENTED GOJ AT SUBJECT MEETING AND WITH FONOFF
AND ENVIRONMENTAL AGENCY OFFICIALS.

2. THEY CONFIRM GOJ INDIRECTLY SUBSIDIZING PURCHASE AND
INSTALLATION OF POLLUTION CONTROL EQUIPMENT
BY: (1) PERMITTING FASTER THAN NORMAL AMORTIZATION OF
CAPITAL INVESTMENT FOR SUCH EQUIPMENT (WHICH THEY POINT
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OUT U.S. ALSO DOES), AND (2) EXTENDING LOANS FOR SUCH

PURCHASES AT INTEREST RATES ROUGHLY 20 PERCENT BELOW NORMAL RATES WITH REPAYMENT OVER 7-10 YEAR PERIOD. BOTH KINDS OF ASSISTANCE AVAILABLE TO NEW AND EXISTING PLANTS. GOJ JUSTIFIES ASSISTANCE TO NEW PLANTS ON GROUNDS THEY ARE SUBJECT TO MORE STRINGENT NOX AND SOX STANDARDS THAN THOS APPLICABLE TO EXISTING PLANTS, AND FACT THAT GOJ STANDARDS ARE HIGHER AND BEING IMPLEMENTED MORE RAPIDLY THAN THOS OF ANY OTHER COUNTRY.

3. CAPITAL INVESTMENT FOR SUCH EQUIPMENT IN 1973 WAS 500 BILLION YEN WHICH EXPECTED INCREASE TO 1000 BILLION YEN IN 1974. PERCENT CAPITAL INVESTMENT FOR SUCH EQUIPMENT AS PERCENT OF TOTAL CAPITAL INVESTMENT WAS SIX PERCENT IN 1972, EIGHT PERCENT IN 1973 AND FORECAST TO BE TEN PERCENT IN 1974. FOR SOME INDUSTRIES, IT IS AS HIGH AS THIRTY PERCENT. BECAUSE OF BUDGETARY LIMITATIONS, ONLY HALF OF POLLUTION EQUIPMENT INVESTMENTS ARE PRESENTLY BEING FINANCED THROUGH SOFT LOAN PROGRAM.

4. FUJIYAMA POINTED OUT, THEREFORE, THAT GOJ CLEARLY HAS PROBLEM IN ACCEPTING SENTENCE IN DRAFT MINISTERIAL DECLARATION ON PPP WHICH READS: "SUCH AID SHOULD ONLY BE GRANTED TO EXISTING PLANTS," ETC. GOJ POSITION ON THIS ISSUE FOR JULY 1-3 MEETING ENVIRONMENT COMMITTEE NOT YET FORMULATED. WE ASKED AND HE AGREED INFORM USG IN ADVANCE HOW GOJ PROPOSES HANDLE MATTER AT MEETING. WE MADE IT CLEAR THAT U.S. SERIOUSLY CONCERNED WITH THIS GOJ BREACH OF PPP.

5. ABOVE INFORMATION DEVELOPED AND THIS REPORT PREPARED AFTER DEPARTURE AMBASSADOR TRUEHEART. SHOESMITH UNQUOTE RUSH

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